

**STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:)	
)	
)	FINAL CONSENT ORDER
)	19 SEC 036
JOSEPH M. MURTAGH, Jr.)	
(CRD No. 343802))	
and)	
JOSEPH M. MURTAGH, Jr. d/b/a)	
THE SOURCE (CRD No. 126066),)	
Respondents.)	

The Secretary of State of the State of North Carolina (“Administrator”), as the Administrator of the North Carolina Securities Act (N.C. Gen. Stat. Chapter 78A, the “Securities Act”) and the North Carolina Investment Advisers Act (N.C. Gen. Stat. Chapter 78C, the “Investment Advisers Act”), has considered the evidence in this matter and finds that it is in the public interest to resolve it on the terms set forth in this Final Consent Order (“Order”). With the consent of Respondents, who neither admit nor deny the findings of fact or conclusions of law, the Administrator enters this Order.

FINDINGS OF FACT

1. Respondent Joseph M. Murtagh, Jr. (CRD No. 343802) (“Murtagh”) is a natural person and a resident of Matthews, Union County, North Carolina.
2. Joseph M. Murtagh, Jr. d/b/a The Source (CRD No. 126066) (“The Source”) is an investment adviser owned and operated by Murtagh. The Source is a sole proprietorship with its principal place of business in Matthews, Union County, North Carolina.

3. As The Source is a sole proprietorship, it is under Murtagh's control; he is also its president and is now identified as its chief compliance officer. Murtagh's wife is described in filings as an owner of the Source and its vice-president.

4. On or about February 12, 2003, Murtagh registered with the Administrator as a salesman for Royal Alliance Associates, Inc. (CRD No. 23131) ("Royal Alliance") in North Carolina. Murtagh originally registered with Royal Alliance's predecessor entity, on or about April 5, 1984.

5. Murtagh originally entered the securities industry in the 1970s.

6. The Source registered as an investment adviser in New York on or about February 13, 1985. It maintained its registration with New York until April 17, 2019. On July 14, 2019, the Source reapplied for registration as an investment adviser with New York, and that application remains pending at this time.

7. According to filings on the CRD/IARD system¹, Murtagh moved to Charlotte, North Carolina in May 2005, and he has made North Carolina his permanent home since that time.

8. According to CRD/IARD filings, The Source has listed North Carolina as its "Principal Office and Place of Business" since July 6, 2005.

9. The Source did not register as an investment adviser in North Carolina when it relocated its principal office and place of business in 2005 to North Carolina. It did not attempt to register as an investment adviser in North Carolina until April 12, 2019, when it applied for registration. The Source withdrew its North Carolina application April 17, 2019 and the application was terminated July 25, 2019.

¹ The CRD/IARD (Central Registration Depository/Investment Advisor Registration Depository) is a database maintained by FINRA for all firms and individuals involved in the U.S. securities industry. This database is used to store and maintain information on registered securities and broker firms, as well as individuals who register as salesmen and/or investment adviser representatives. Firms and individuals are assigned a CRD Number.

10. Pursuant to N.C. Gen. Stat. §78C-16, an investment adviser does not need to be registered in North Carolina if, during the course of the preceding 12 months, the investment adviser "has had fewer than 15 clients, and neither holds himself or herself out generally to the public as an investment adviser."

11. Since at least July 6, 2005, The Source has operated as an investment adviser and conducted business as an investment adviser in North Carolina. The Source was required to register as an investment adviser for at least one of the years that it operated as an investment adviser in North Carolina.

12. As of July 14, 2019, The Source, in filings it made on the CRD/IARD system listed 14 clients and regulatory assets under management in excess of \$5.5 million.

13. The Administrator finds that the entry of this Final Order, including its prohibition on violations of the Securities Act and the Investment Advisers Act, its assessment of a civil penalty, its assessment of registration fee owed, and its assessment of a settlement amount to be deposited in the Investor Protection and Education Trust Fund in accordance with N.C. Gen. Stat. §147-54.5 is necessary or appropriate in the public interest or for the protection of investors and clients and consistent with the purposes fairly intended by the policy and provisions of the Securities Act and the Investment Advisers Act.

CONCLUSIONS OF LAW

1. The Administrator has jurisdiction over Murtagh, The Source, and over the subject matter of this Order.

2. This Order is entered by the Administrator under the authority granted by the Securities Act and the Investment Advisers Act and the administrative rules adopted thereunder.

3. At the relevant times described in this Order, Murtagh was a salesman and investment adviser representative as defined under North Carolina law. N.C. Gen. Stat. §§78A-2(9), 78C-2(3). He was also was a registrant under North Carolina law.

4. At the relevant times described in this Order, The Source was an investment adviser as defined under North Carolina law. N.C. Gen. Stat. §78C-2(1).

5. Murtagh and The Source were required to comply with North Carolina's laws and administrative rules, and to submit themselves to the jurisdiction and oversight of the Administrator.

6. Pursuant to N.C. Gen. Stat. §78C-16, it is unlawful for any person to transact business in North Carolina as an investment adviser or investment adviser representative unless the person is registered or an exemption applies. N.C. Gen. Stat. §78C-16(4) states that an investment adviser does not need to be registered in North Carolina if, during the course of the preceding 12 months, the investment adviser "has had fewer than 15 clients, and neither holds himself or herself out generally to the public as an investment adviser."

7. The Source and Murtagh violated N.C. Gen. Stat. §78C-16 during at least some of the years that they transacted business in North Carolina as an investment adviser and an investment adviser representative without registering pursuant to the Investment Advisers Act.

8. N.C. Gen. Stat. §78C-19(a)(2)(b) grants the Administrator the authority to deny, suspend, or revoke any registration in whole or in part if she finds that a registrant has willfully violated or willfully failed to comply with any provision of the Investment Advisers Act or any rule promulgated under the Investment Advisers Act. §§78C-19 and 78C-28 give the Administrator the authority to issue an Order under the Investment Advisers Act.

9. The entry of this Final Order, including its prohibition on violations of the Securities Act and the Investment Advisers Act, its assessment of a civil penalty and a settlement amount to be deposited in the Investor Protection and Education Trust Fund in accordance with N.C. Gen. Stat. §147-54.5, and its assessment of registration fee owed, is necessary or appropriate in the public interest or for the protection of investors and clients and consistent with the purposes fairly intended by the policy and provisions of the Securities Act and the Investment Advisers Act.

10. The Administrator has the authority to enter this Order pursuant to the Investment Advisers Act, the Securities Act, and the administrative rules adopted thereunder.

JURISDICTION, CONSENT AND WAIVER

Murtagh and The Source, as evidenced by the authorized signatures on the Consent to Entry of Order, below, affirmatively states and agrees that:

1. The Administrator has jurisdiction over them and the subject matter of this Order;
2. They voluntarily consent to the entry of this Order and understand it is a public document.
3. They have read the contents of this Order and had the opportunity to consult with an attorney prior to the signing of this Order.
4. They freely sign this Order.
5. No threats, promises, or offers of any kind, other than as stated in this document, have been made by the Administrator, Deputy Securities Administrator, any member of the staff of the Securities Division, or any agent or employee of the North Carolina Department of the Secretary of State in connection with the signing of this Order.
6. This Order contains the entire agreement between the undersigned; Murtagh and The Source understand its effect.

7. They permanently waive any and all rights under the North Carolina Securities Act, the North Carolina Investment Advisers Act, the North Carolina Administrative Procedure Act (N.C. Gen. Stat. Chapter 150B), and any other law to a *Notice of Hearing*, a hearing, and any other proceedings before the Administrator or other entity to which they may be entitled related to the subject of this Order, including any court of competent jurisdiction. Murtagh and The Source also permanently waive their rights to seek judicial review of this Order under N.C. Gen. Stat. Chapter 150B, to appeal this Order, or to otherwise challenge either the validity or entry of this Order in any court or administrative agency.

8. This Order resolves this matter without further administrative proceedings.

9. The presentation of this Order to the Administrator and any subsequent discussion of the Order prior to its entry without Murtagh, The Source, or counsel being present shall not constitute an improper *ex parte* communication between the Administrator and the Securities Division or counsel for the Securities Division.

NOW, THEREFORE, the Administrator, pursuant to and under all authority granted by the North Carolina Securities Act and the North Carolina Investment Advisers Act, based upon the forgoing Findings of Fact; Conclusions of Law; and Jurisdiction, Consent and Waiver, does hereby enter the following:

ORDER

1. Murtagh and The Source shall immediately and permanently cease and desist from violating N.C. Gen. Stat. §78C-16.

2. Murtagh and The Source shall immediately and permanently cease and desist from violating any other provisions of the North Carolina Investment Advisers Act, the North Carolina Securities Act and any administrative rules promulgated under either Act.

3. The Source shall pay North Carolina certain registration fees of \$300.00. This payment shall be due within thirty days of the date of entry of this Order.

4. Murtagh and/or The Source shall pay to the Securities Division a civil penalty in the amount of \$2,500.00 within thirty days of the date of entry of this Order.

5. Murtagh and/or The Source shall pay the Securities Division the sum of \$2,200.00 in settlement of this investigation, to be deposited in the Investor Protection and Education Trust Fund in accordance with N.C. Gen. Stat. §147-54.5 within thirty days of the date of entry of this Order.

6. The payments described in paragraphs 3, 4, and 5 are the joint responsibility of Murtagh and The Source and their successors and assigns.

7. The Administrator will register Murtagh as an investment adviser representative immediately upon payment of the amounts listed in paragraphs 3, 4, and 5.

8. The Source has withdrawn its application for registration as an investment adviser in North Carolina, and it agrees that it will not attempt to register as an investment adviser in North Carolina in the future. The Source will also withdraw its application from New York.

9. Murtagh and The Source shall not take any action, or make, or permit to be made, any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis.

10. This Order shall become final upon entry.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina

Department of the Secretary of State, this the 18TH day of FEBRUARY 2020.

Time of entry: 11:28 A.M.



ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
SECURITIES ADMINISTRATOR, by

REDACTED

KEVIN M. HARRINGTON
DEPUTY SECURITIES ADMINISTRATOR